uMngeni Municipality

Annual Financial Statements
for the year ended June 30, 2015

General Information

Legal form of entity	UMNGENI LOCAL MUNICIPALITY
Mayoral committee	
Mayor	Mrs MP Myeni
Councillors	Cllr TP Mchunu
	Cllr SR Majozi
	Cllr PA Passmoor
	Cllr STJ Ndlovu
	Cllr MJ Gruenberg
	Cllr SK Pillay
	Cllr GT Dlamini
	Cllr SD Nkuna
	Cllr JE Holmes
	Cllr TG Nxele
	Cllr NN Mlotshwa
	Cllr BA Zuma
	Cllr Ndlela
	Cllr TA Duggan
	Cllr FT Cele
	Cllr CRW Millar
	Cllr NJ Lewis
	Cllr FG Mthembu
	Cllr JM Zondi
	Cllr LP Phikwane
	Cllr JA Mkhasibe
	Cllr SM Ndlovu
Grading of local authority	3
Acting Accounting Officer	Mrs G Gumbi-Masilela
Chief Financial Officer	Mr ZS Gwala
Registered office	Corner Dicks and Somme Streets Howick 3290
Postal address	P O Box 5 Howick 3290
Banker	ABSA Bank
Auditor	Auditor General

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these are:

Bi weekly meetings in the form of the Interim Finance Committee, to plan and approve only essential expenditure for the forthcoming weeks and to ensure that the unspent conditional grants are moving to a position of being cash backed.
Two other committees have also being formed after Provincial Treasury provided support to help the Municipality recover from the cash flow challenges it faces. The Credit control and Valuation sub-committees meet monthly to tackle revenue enhancement issues by addressing the issue of outstanding debtors and valuation queries respectively. These committees have already achieved success by requesting all stakeholders involved in revenue enhancement to account monthly and provide direction on how to maximise revenue and reduce the outstanding debtors.

Council and the Interim Finance committee is committed to turning the situation around and has frozen all vacant posts in order to curb expenditure, except critical posts or those funded by the conditional grants. There is also an action plan to further reduce expenditure and implement cost-cutting measures to aid financial recovery. Council still has to adopt the plan.

On the technical side, excess electricity losses have been identified and corrective action is being taken to remedy the situation by the Development of Consumer loss Analysis programme (CLA). This programme was specifically written to identify the electricity losses due to technical issues, theft of electricity, illegal connections, and metered installations and correct the electricity billing cycle.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit. The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements..

The annual financial statements set out on pages 5 to 66, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

G Gumbi-Masilela
Acting Municipal Manager

Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 66 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 31 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mrs G Gumbi Masilela
Acting Municipal Manager
Monday, November 23, 2015

Statement of Financial Position as at June 30, 2015

	Note(s)	2015 R	2014 Restated* R
Assets			
Current Assets			
Investments	3	38,548,450	29,797,992
Other receivables	9	2,774,926	2,497,276
Receivables from non-exchange transactions	11	8,269,258	3,821,177
VAT receivable	12	5,565,441	3,043,784
Consumer debtors	10	31,353,805	32,515,464
Cash and cash equivalents	13	8,103,231	8,675,819
		94,615,111	**80,351,512**
Non-Current Assets			
Investment property	3	5,323,419	5,523,051
Property, plant and equipment	4	788,876,392	775,394,485
Intangible assets	5	24,690	135,102
Heritage assets	6	5,392,617	5,392,617
		799,617,118	**786,445,255**
Non-Current Assets		799,617,118	786,445,255
Current Assets		94,615,111	80,351,512
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**894,232,229**	**866,796,767**
Liabilities			
Current Liabilities			
Annuity loans	16	3,279,327	3,188,782
Operating lease liability		12,065	40,111
Trade and other payables from exchange transactions	20	18,942,766	24,299,701
VAT payable	21	-	705,397
Consumer deposits	22	2,198,071	2,276,796
Employee benefit obligation	7	1,151,000	1,229,000
Unspent conditional grants and receipts	18	22,223,372	17,831,033
Finance Lease Obligation		971,769	1,005,222
		48,778,370	**50,576,042**
Non-Current Liabilities			
Annuity loans	16	29,022,019	31,672,228
Finance lease obligation	17	430,666	1,391,510
Employee benefit obligation	7	24,206,000	21,715,000
Provisions	19	24,742,481	22,695,965
		78,401,166	**77,474,703**
Non-Current Liabilities		78,401,166	77,474,703
Current Liabilities		48,778,370	50,576,042
Liabilities of disposal groups		-	-
Total Liabilities		**127,179,536**	**128,050,745**
Assets		894,232,229	866,796,767
Liabilities		(127,179,536)	(128,050,745)
Net Assets		**767,052,693**	**738,746,022**

* See Note

Statement of Financial Position as at June 30, 2015

	Note(s)	2015 R	2014 Restated* R
Net Assets			
Reserves			
Revaluation reserve	14	127,470,628	127,470,628
Housing operating account	15	15,108,143	15,108,143
Accumulated surplus		644,473,606	617,925,817
		787,052,377	760,504,588
Minority interest		-	-
Total Net Assets		**787,052,377**	**760,504,588**

* See Note

uMngeni Municipality
Annual Financial Statements for the year ended June 30, 2015

Statement of Financial Performance

	Note(s)	2015 R	2014 Restated* R
Revenue			
Service charges	25	57,767,738	56,460,833
Rental of facilities and equipment		843,849	727,720
Licences and permits		2,655,121	2,045,018
Provision for bad debts adjust		4,764,421	-
Other income	27	4,900,844	4,508,088
Interest revenue	33	4,396,054	3,523,914
Property rates	24	119,499,371	111,631,578
Property rates - penalties imposed and collection charges	24	6,596,240	6,037,274
Government grants and subsidies	26	102,976,662	76,393,077
Fines		21,641,800	24,203,330
Total revenue		**326,042,100**	**285,530,832**
Expenditure			
Personnel	30	(83,397,332)	(65,979,025)
Remuneration of councillors	31	(6,119,393)	(5,744,657)
Depreciation and amortisation	34	(41,824,544)	(37,598,414)
Impairment loss/ Reversal of impairments		-	(8,532)
Finance costs	35	(4,302,785)	(4,297,368)
Bad debts	32	(22,032,800)	(21,453,003)
Collection costs		(721,417)	(818,337)
Repairs and maintenance		(12,347,415)	(6,332,898)
Bulk purchases	37	(72,285,938)	(65,892,623)
Contracted services		(3,109,660)	(1,949,955)
Grant expenditure	29	(7,162,023)	(10,866,661)
General expenses	28	(46,191,004)	(62,292,669)
Total expenditure		**(299,494,311)**	**(283,234,142)**
		-	-
Total revenue		326,042,100	285,530,832
Total expenditure		(299,494,311)	(283,234,142)
Operating surplus		**26,547,789**	**2,296,690**
Deemed asset cost	4	-	139,169
Surplus before taxation		26,547,789	2,435,859
Taxation		-	-
Surplus for the year		**26,547,789**	**2,435,859**

* See Note

Statement of Changes in Net Assets

	Revaluation reserve	Housing operating account	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R
Balance at 01 July 2013 restated	**127,470,628**	**15,681,238**	**143,151,866**	**631,557,166**	**774,709,032**
Changes in net assets					
Prior year adjustment	-	-	-	(13,631,349)	(13,631,349)
Net income recognised directly in net assets	-	-	-	(13,631,349)	(13,631,349)
Deficit for the year restated	-	-	-	-	-
Total recognised income and expenses for the year	-	-	-	(13,631,349)	(13,631,349)
Transfer of defecit to housing operating account	-	(573,095)	(573,095)	-	(573,095)
Total changes	-	(573,095)	(573,095)	(13,631,349)	(14,204,444)
Balance at 01 July 2014 restated (note 52)	**127,470,628**	**15,108,143**	**142,578,771**	**617,925,817**	**760,504,588**
Surplus for the year	-	-	-	26,547,789	26,547,789
	-	-	-	26,547,789	26,547,789
Balance at June 30, 2015	**127,470,628**	**15,108,143**	**142,578,771**	**644,473,606**	**787,052,377**
Note(s)	14	15			

* See Note

Cash Flow Statement

	Note(s)	2015 R	2014 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services (rates and electricity)		201,370,293	187,019,940
Grants		102,976,662	78,805,000
Interest revenue		4,396,054	3,523,914
Other receipts		10,242,919	7,280,826
Fines		7,056,172	8,629,182
		326,042,100	285,258,862
Payments			
Employee costs		(89,516,725)	(71,075,512)
Suppliers		(153,167,387)	(146,051,038)
Finance costs		(3,642,564)	(4,297,368)
Taxes on surpluses		(705,397)	-
		(247,032,073)	(221,423,918)
Total receipts		326,042,100	285,258,862
Total payments		(247,032,073)	(221,423,918)
Net cash flows from operating activities	38	**64,836,841**	**63,834,944**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(54,135,192)	(34,205,587)
Proceeds from sale of other asset 3		-	(2,462,016)
(Increase)/decrease in investments		(8,750,458)	(14,948,998)
Net cash flows from investing activities		**(62,885,650)**	**(51,616,601)**
Cash flows from financing activities			
Decrease in borrowings		(2,559,664)	(2,445,439)
Movement in other liability 1		(33,453)	-
Movement in consumer deposits		(78,725)	66,907
Increase in finance lease liability		148,063	1,110,787
Net cash flows from financing activities		**(2,523,779)**	**(1,267,745)**
Net increase/(decrease) in cash and cash equivalents		**(572,588)**	**10,950,598**
Cash and cash equivalents at the beginning of the year		8,675,819	(2,274,779)
Cash and cash equivalents at the end of the year	13	**8,103,231**	**8,675,819**

* See Note

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges- electricity	56,137,847	4,361,895	**60,499,742**	52,718,366	**(7,781,376)**	53.1
Service charges- refuse	4,946,015	-	**4,946,015**	5,049,372	**103,357**	
Rental of facilities and equipment	842,845	(168,005)	**674,840**	843,849	**169,009**	
Interest received (outstanding debtors)	1,727,885	-	**1,727,885**	1,655,273	**(72,612)**	
Licences and permits	2,292,525	-	**2,292,525**	2,655,121	**362,596**	
Provision for bad debts adjust	-	-	-	4,764,421	**4,764,421**	
Other income	7,374,699	(466,884)	**6,907,815**	4,900,844	**(2,006,971)**	53.2
Interest received - investment	900,000	180,000	**1,080,000**	2,740,781	**1,660,781**	53.3
Total revenue from exchange transactions	**74,221,816**	**3,907,006**	**78,128,822**	**75,328,027**	**(2,800,795)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	126,896,080	500,000	**127,396,080**	119,499,371	**(7,896,709)**	
Property rates - penalties imposed	6,000,000	-	**6,000,000**	6,596,240	**596,240**	53.4
Government grants & subsidies	68,729,000	46,600,952	**115,329,952**	102,976,662	**(12,353,290)**	
Transfer revenue						
Fines	9,694,314	16,334,448	**26,028,762**	21,641,800	**(4,386,962)**	53.5
Total revenue from non-exchange transactions	**211,319,394**	**63,435,400**	**274,754,794**	**250,714,073**	**(24,040,721)**	
'Total revenue from exchange transactions'	74,221,816	3,907,006	**78,128,822**	75,328,027	**(2,800,795)**	
'Total revenue from non-exchange transactions'	211,319,394	63,435,400	**274,754,794**	250,714,073	**(24,040,721)**	
Total revenue	**285,541,210**	**67,342,406**	**352,883,616**	**326,042,100**	**(26,841,516)**	
Expenditure						
Personnel	(80,740,833)	(6,841,862)	**(87,582,695)**	(83,397,332)	**4,185,363**	53.6
Remuneration of councillors	(6,127,351)	(230,370)	**(6,357,721)**	(6,119,393)	**238,328**	
Depreciation and impairment	(10,675,260)	-	**(10,675,260)**	(41,824,544)	**(31,149,284)**	53.7
Finance costs	(4,498,865)	-	**(4,498,865)**	(3,874,733)	**624,132**	
Debt impairment	(7,846,516)	(12,438,884)	**(20,285,400)**	(22,032,800)	**(1,747,400)**	53.8
Collection costs	(735,513)	-	**(735,513)**	(721,417)	**14,096**	
Repairs and maintenance	(23,015,000)	-	**(23,015,000)**	(12,347,415)	**10,667,585**	53.10
Bulk purchases	(65,681,000)	(9,102,150)	**(74,783,150)**	(72,285,938)	**2,497,212**	53.12
Contracted Services	(9,218,813)	(482,157)	**(9,700,970)**	(3,109,660)	**6,591,310**	
Grants and subsidies paid	(7,085,000)	(1,143,862)	**(8,228,862)**	(7,162,023)	**1,066,839**	53.11
General Expenses	(43,660,956)	3,592,083	**(40,068,873)**	(46,191,004)	**(6,122,131)**	53.9
Total expenditure	**(259,285,107)**	**(26,647,202)**	**(285,932,309)**	**(299,066,259)**	**(13,133,950)**	
	26,256,103	40,695,204	**66,951,307**	26,975,841	**(39,975,466)**	

uMngeni Municipality
Annual Financial Statements for the year ended June 30, 2015

Statement of Comparison of Budget and Actual Amounts
Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Surplus before taxation	**26,256,103**	**40,695,204**	**66,951,307**	**26,975,841**	**(39,975,466)**	
Deficit before taxation	26,256,103	40,695,204	**66,951,307**	26,975,841	**(39,975,466)**	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**26,256,103**	**40,695,204**	**66,951,307**	**26,975,841**	**(39,975,466)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Consumer debtors are expected to be realised within 12 months after the reporting date.

The impairmet for trade ad other receivable is calculated based using the ageing as follows : 30 days 15%, 90 days 30%, 120 days 35% and 150 days 55% based on historical loss ratios

Fair value estimation

The carrying value less impairment provision of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The appointed actuary determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the appointed actuary considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses, with the exception of land that is measured at revalued amount which is the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment that is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Accounting Policies

1.5 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	indefinite
Buildings	30 years
Plant and machinery	
• Speciliased	10 - 15 years
• Other	7 - 10 years
Furniture and fixtures	15 years
Motor vehicles	
• Specialised Vehicles	10 years
• Other Motor Vehicles	5 years
Office equipment	3 years
Computer Equipment	5 years
Infrastructure	
• Roads and paving	30 years
• Pedestrian malls	30 years
• Electricity	20 - 30 years
Community	
• Building	30 years
• Recreational Facilities	20 - 30 years
• Security	5 years
Bins and containers	5 years
Landfill sites	15 years
Water network	15 years
Investment Property	30 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Accounting Policies

1.5 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.7 Intangible assets (continued)

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

An intangible asset arising from development (including the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	1 - 3 years

1.7 Intangible assets (continued)

Intangible asset- website costs

Any internal expenditure on the development and operation of the municipality's own website is accounted for in accordance with the Standard of GRAP on Intangible Assets. The nature of each activity for which expenditure is incurred (e.g. training employees and maintaining the website) and the website's stage of development or post-development are evaluated to determine the appropriate accounting treatment.

The stages of a website's development can be described as follows:
(a) Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.

(b) Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.

(c) Graphical design development – includes designing the appearance of web pages.

(d) Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

1.8 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1.8 Financial instruments (continued)

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Consumer debtors

Consumer debtors are initially recognised at fair value, and are subsequently measured at amortised cost.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are initially recorded at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Long term loans

Long term loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.8 Financial instruments (continued)

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
- has transferred substantially all the risks and rewards of the asset, or
- has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

1.11 Impairment of cash-generating assets and non-cash generating assets

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount).

1.11 Impairment of cash-generating assets and non-cash generating assets (continued)

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the municipality evaluates the asset to determine whether the asset is a cash generating asset or non-cash generating asset.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset.
- Depreciated replacement cost approach – The current replacement cost of the asset is used as the basis for this value. This current replacement cost is depreciated for a period equal to the period that the asset has been in use so that the final depreciated replacement cost is representative of the age of the asset.

- Restoration cost approach - Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.

- Service units approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state.

The decision as to which approach to use is dependent on the nature of the identified impairment.
In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Impairment losses of continuing operations are recognised in the statement of financial performance in those expense categories consistent with the function of the impaired asset.
An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality makes an estimate of the assets or cash-generating unit's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of financial performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.11 Impairment of cash-generating assets and non-cash generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

1.12 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.13 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are not recognised for future operating Surplus.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, volume rebates and value-added taxes (VAT).

1.14 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges for electricity are based on consumption by consumers as is recorded on each consumer's meter.

Meters are read each month and the revenue is recognised in the period in which invoices are raised.

Provisional estimates of consumption are made in periods where meter readings have not been able to be carried out. The revenue from these provisional readings is also recognised as revenue when invoiced.

Adjustments to provisional estimates and recognition of the amended revenue arising as a result, are made in the invoicing period in which meters are read.

Revenue from the sale of electricity prepaid meter cards is recognised immediately in revenue.

Service charges for refuse removal are raised and recognised on a monthly basis in arrears.

Refuse charges are based on the application of the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service has been rendered and the fee has been charged or licenses and permits have been issued.

Income from agency services is recognised on a monthly basis once the income collected from agents has been quantified and the terms of the agency agreement have been complied with.

Interest

Interest is recognised in surplus or deficit using the effective interest rate method.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the municipality receives value from another institution/ individual without directly giving approximately equal value in exchange.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.
When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue. at the fair value of the consideration received or receivable, net of trade discounts and volume rebates and value-added taxes (VAT).

1.15 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Borrowing costs

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 103 : Heritage Assets

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.24 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2014 to 6/30/2015.

1.24 Budget information (continued)

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.26 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund.

Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.27 Related parties

The municipality has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the entity any one or more related parties, and those transactions were not within:
- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate;

1.28 Work in progress

The cost of items of property, plant and equipment that under construction as of the reporting date is recognised as an asset if:
- it is probable that future economic benefits or service potential associated with the item(s) will flow to the municipality, and
- the cost or fair value of the item(s) can be measured reliably.

Assets under construction consist of expenditure for the construction of buildings, certain land improvements, infrastructure assets and networks and any other capital projects that are under construction as of the reporting date. The expenditure comprises direct labour, materials and overheads, if appropriate.

When assets under construction are completed and certificates of completion issued, they are transferred to the appropriate asset class.

Accounting Policies

Assets under construction are not depreciated as they are not in a condition necessary for it to be capable of operating in the manner intended by management.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has not adopted standards and interpretations that are effective.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 01, 2015 or later periods:

of GRAP	Effective date: Years beginning on or after	Expected impact:
• GRAP 32 : Service Concession Arrangment Grantor		No Effective date
• GRAP 20 Related parties		No effective date
• GRAP 108 :Statutory receivables		No Effective date
• DIRECTIVES 11 : Changes in measurement bases following the initial adoption of Standard		No effective date
• GRAP 105 : Transfers of functions between entities under common control		No effective date
• GRAP 107 Merges	April 01, 2015	

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after April 01, 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2015 annual financial statements.

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2015 annual financial statements.

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

	2015 R	2014 R

3. Investment property

	2015			2014		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	6,122,000	(798,581)	5,323,419	6,122,000	(598,949)	5,523,051

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	5,523,051	199,632	5,323,419

Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	5,784,870	(261,819)	5,523,051

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	124,626,348	-	124,626,348	124,626,348	-	124,626,348
Land - Landfill site	9,326,000	(8,704,266)	621,734	9,326,000	(8,082,533)	1,243,467
Buildings	75,608,420	(24,081,286)	51,527,134	75,608,420	(20,600,166)	55,008,254
Furniture and fittings	4,226,492	(2,653,368)	1,573,124	3,229,531	(2,199,925)	1,029,606
Motor vehicles	11,179,679	(5,765,664)	5,414,015	10,301,599	(4,777,544)	5,524,055
Motor vehicles - leased	5,554,799	(4,462,669)	1,092,130	5,554,799	(3,287,685)	2,267,114
Computer equipment	3,118,346	(1,807,772)	1,310,574	2,442,945	(1,376,596)	1,066,349
Electrical	92,725,076	(40,946,147)	51,778,929	92,725,076	(38,052,260)	54,672,816
Assets under construction	52,727,936	-	52,727,936	34,050,665	-	34,050,665
Roads and storm water network	924,350,410	(427,008,806)	497,341,604	890,853,132	(395,855,147)	494,997,985
Machinery and equipment	2,963,337	(2,100,473)	862,864	2,691,922	(1,784,096)	907,826
Total	**1,306,406,843**	**(517,530,451)**	**788,876,392**	**1,251,410,437**	**(476,015,952)**	**775,394,485**

During the physical verification of assets in 2013/2014 financial year, the conditional assessment was conducted. This resulted on the useful lives being reviewed. after the review of the useful lives, the depreciation will be based on the remaining re-assessed useful lives and the carrying amount.

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Work in progress	Donated assets	Transfers	Depreciation	Total
Land	125,869,815	-	-	-	-	(621,733)	125,248,082
Buildings	55,008,254	-	-	-	-	(3,481,120)	51,527,134
Machinery and equipment	907,826	271,415	-	-	-	(316,378)	862,863
Furniture and office equipment	1,029,606	166,405	-	830,556	-	(453,443)	1,573,124
Motor vehicles	5,524,055	878,080	-	-	-	(988,120)	5,414,015
Motor vehicles - leased	2,267,114	-	-	-	-	(1,174,984)	1,092,130
Computer equipment	1,066,349	644,743	-	30,659	-	(431,176)	1,310,575
Electricity	54,672,816	-	-	-	-	(2,893,887)	51,778,929
Assets under construction	34,050,665	-	52,174,549	-	(33,497,278)	-	52,727,936
Roads and Storm water network	494,997,985	-	-	-	33,497,278	(31,153,659)	497,341,604
	775,394,485	1,960,643	52,174,549	861,215	-	(41,514,500)	788,876,392

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance Restated	Additions Restated	Work in progress	Restated Newly identified assets	Restated Donated Assets	Transfers	Depreciation restated	Impairment loss	Total
Land	133,952,348	-	-	-	-	-	(8,082,533)	-	125,869,815
Buildings	58,482,103	-	-	-	-	-	(3,473,849)	-	55,008,254
Machinery and equipment	596,978	48,821	-	432,083	-	-	(168,178)	(1,878)	907,826
Furniture and office equipment	809,112	116,201	-	331,575	6,491	-	(230,294)	(3,479)	1,029,606
Motor vehicles	703,976	5,006,885	-	183,366	-	-	(370,172)	-	5,524,055
Motor vehicles - leased	999,832	2,112,630	-	-	-	-	(845,348)	-	2,267,114
Computer equipment	842,250	265,849	-	208,287	17,348	-	(264,209)	(3,175)	1,066,350
Electrical	57,586,675	-	-	-	-	-	(2,913,859)	-	54,672,816
Assets under construction	47,524,822	-	34,570,553	-	-	(48,044,709)	-	-	34,050,666
Roads and storm water network	476,359,828	-	-	48,044,709	-	-	(29,406,552)	-	494,997,985
	777,857,924	**7,550,386**	**34,570,553**	**49,200,020**	**23,839**	**(48,044,709)**	**(45,754,994)**	**(8,532)**	**775,394,487**

Assets subject to finance lease (Net carrying amount)

Motor vehicles	2,907,516	1,371,096
IT equipment	-	(3,287,685)
Other property, plant and equipment # 4	1,076,162	48,821
	3,983,678	**(1,867,768)**

Heritage assets

[Where the entity holds heritage assets, but has not accounted for such assets using GRAP 17 or using an accounting policy based on GRAP 103, consider whether disclosure, including a description of the nature and extent, of these assets is useful to the users of the annual financial statements.]

5. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	334,156	(309,466)	24,690	334,156	(199,054)	135,102

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software	135,102	110,412	24,690

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software	239,398	(104,296)	135,102

6. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	2,462,018	-	2,462,018	2,462,018	-	2,462,018
Mayoral Chains	60,000	-	60,000	60,000	-	60,000
Other (specify class)	-	-	-	-	-	-
Heritage assets which fair values cannot be reliably measured: (Para .94)						
Museums	2,870,599	-	2,870,599	2,870,599	-	2,870,599
Total	**5,392,617**	**-**	**5,392,617**	**5,392,617**	**-**	**5,392,617**

Reconciliation of heritage assets 2015

	Opening balance	Total
Historical monuments	2,462,016	2,462,016
Mayoral Chains	60,000	60,000
Museum	2,870,599	2,870,599
	5,392,615	**5,392,615**

Reconciliation of heritage assets 2014

	Opening balance	Additions	Total
Historical monuments	-	2,462,016	2,462,016
Mayoral Chains	-	60,000	60,000
Heritage assets which fair values cannot be reliably measured: (Para .94)			
Museums	2,870,599	-	2,870,599

Notes to the Annual Financial Statements

		2015 R	2014 R

6. Heritage assets (continued)

	2,870,599	2,522,016	5,392,615

Heritage assets which fair values cannot be reliably measured

Transitional provisions

Heritage assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 2 of the GRAP Reporting Framework, as disclosed in note , certain heritage asset with a carrying value of R5 392617 (2014: R5 392 617) was recognised at provisional amounts.

Due to initial adoption of GRAP 103

	2015 R	2014 R
Heritage assets	5,392,617	5,392,617

Steps taken to establish the values of heritage asset recognised at provisional amounts due to the initial adoption of GRAP 103, is as follows:

The original values brought into the municipal valuation roll based on property values from the municipal valuator was considered and applied to heritage assets.

The date at which full compliance with GRAP 103 is expected, is

7. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

	2015 R	2014 R
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(22,944,000)	(26,342,306)
Present value of the defined benefit obligation-partly or wholly funded	(1,317,000)	(1,430,000)
Fair value of reimbursement rights	(2,020,000)	(1,570,000)
Benefit payment	1,252,000	1,091,000
Asset not recognised	(328,000)	5,307,306
	(25,357,000)	**(22,944,000)**
Non-current liabilities	(24,206,000)	(21,715,000)
Current liabilities	(1,151,000)	(1,229,000)
	(25,357,000)	**(22,944,000)**

Net expense recognised in the statement of financial performance

	2015 R	2014 R
Current service cost	1,317,000	1,430,000
Interest cost	2,020,000	1,570,000
Actuarial gains (losses)	328,000	(5,308,000)
	3,665,000	**(2,308,000)**

Key assumptions used

Assumptions used at the reporting date:

	2015	2014
Discount rates used	8.94 %	8.94 %
Expected rate of return on assets	8.05 %	8.05 %
Expected increase in salaries	0.82 %	0.82 %
Expected pension increases	7.05 %	7.05 %

	2015 R	2014 R

7. Employee benefit obligations (continued)

Defined contribution plan

Post retirement pension plan- Natal Joint Municipal Pension Fund

The Municipality's personnel are members of one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined.

Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the Municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2015 Interim aluations have not yet been released.

8. Investments

	2015 R	2014 R
Unlisted investments		
Collateral security fixed deposits - Rand Merchant Bank	1,340,941	1,275,453
Notice deposits - Absa Bank	10,304,930	9,466,755
Fixed Deposit -ABSA Bank	5,069,467	5,147,134
Fixed Deposit- FNB	1,470,896	1,386,223
Fixed Deposit- Investec	-	10,262,749
Notice Deposit- Investec	20,362,216	2,259,678
	38,548,450	**29,797,992**
Average rate of return on investments	6%	6%
Investments pledged as collateral security for loans	1,340,941	1,275,453

Fair value of financial instrument approximates the cost of the financial asset.

9. Other receivables

	2015 R	2014 R
Interest receivable	11,321	64,652
Other receivables	2,763,605	2,432,624
	2,774,926	**2,497,276**

10. Consumer Debtors

	2015 R	2014 R
Consumer debtors	58,927,542	64,853,622
Less: Provision for bad debts	(27,573,737)	(32,338,158)
	31,353,805	**32,515,464**

Management have considered the effects of any impairment in the values of outstanding debtors and the value of the provision for bad debts.

The provision is adequate to account for any material losses expected to arise from any adjustment that are required to be made to the outstanding balance.

	2015 R	2014 R
Gross amounts		
Rates	35,642,106	37,338,933
Electricity	17,556,595	19,137,509
Refuse	2,441,691	2,165,860

Notes to the Annual Financial Statements

	2015 R	2014 R
Legal costs	33,554	53,539
Housing rental	519,525	543,622
Sundry debtors	2,734,073	5,614,159
	58,927,544	**64,853,622**
Less: Provision for bad debts		
Rates	18,540,593	20,824,793
Electricity	6,419,574	7,379,102
Rental	228,692	827,328
Refuse	944,113	3,054,578
Sundry debtors	1,422,312	29,575
Legal	18,454	222,782
	27,573,738	**32,338,158**
Net balance		
Rates	17,101,513	16,514,140
Electricity	11,137,021	11,758,407
Rentals	290,833	1,338,533
Refuse	1,497,578	320,840
Legal costs	15,099	23,964
Sundry debtors	1,311,761	2,559,580
	31,353,805	**32,515,464**
Age analysis		
Rates		
Current (0 to 30 days)	3,233,394	3,255,988
31 to 60 days	3,918,783	2,456,109
61 to 90 days	1,548,709	1,631,441
91 to 120 days	3,428,193	1,415,147
121 to 150 days	2,376,252	413,947
151 days and over	21,136,774	28,166,301
	35,642,105	**37,338,933**
Electricity		
Current (0 to 30 days)	4,196,067	3,954,239
31 to 60 days	1,275,703	1,175,521
61 to 90 days	402,959	570,460
91 to 120 days	257,117	272,851
21 days to 150 days	10,779	75,603
151 days and over	11,413,969	13,088,834
	17,556,594	**19,137,508**
Refuse		
Current (0 to 30 days)	453,152	370,925
31 to 60 days	165,504	170,089
61 to 90 days	96,831	85,221
91 days to 120 days	79,297	69,995
121 to 150 days	-	56,256
151 days and over	1,646,908	1,413,374
	2,441,692	**2,165,860**
Sundries		
Current (0 to 30 days)	29,362	(38,997)
31 to 60 days	57,663	58,752

Notes to the Annual Financial Statements

	2015 R	2014 R
61 to 90 days	52,224	13,326
91 to 120 days	50,699	46,714
121 to 150 days	-	14,995
151 days and over	2,544,124	5,519,369
	2,734,072	**5,614,159**
Legal costs		
151 days and over	33,554	53,539
Housing		
Current (0 to 30 days)	51,187	52,028
31 to 60 days	32,516	44,200
61 to 90 days	17,983	30,376
91 to 120 days	9,867	26,349
121 to 150 days	9,000	16,146
151 days and over	398,971	374,523
	519,524	**543,622**
Reconciliation of doubtful debt provision		
Opening balance	32,338,159	29,469,840
Contribition made during the year	(4,764,421)	2,868,319
	27,573,738	**32,338,159**

Indigent customers

The indigent debtors receive 100kwh of free electricity per month provided that they have a prepaid meter installed in their home. Properties with a valuation up to a maximum of R200,000, are also exempt from paying refuse charges.

Consumer debtors impaired

As of 30 June 2015, consumer debtors of R 27 573 737 (2014:R 32 338 159) were impaired and provided for.

The aging of these debtors is as follows:

3-6 months	27,573,737	32,338,159

The municipality profiled all debtors according to their risk profile. This risk profile was then used to calculate the doubtful debt provision.

11. Receivables from non-exchange transactions

Debtors- traffic fines (net)	8,269,258	3,821,177

Reconciliation of receivables from non-exchange transactions

Opening balance	3,821,177	-
Debtors - traffic fines	15,327,748	15,555,973
Debt impairement	(10,879,667)	(11,734,796)
	8,269,258	**3,821,177**

The Municipality has two traffic fine billing systems. TMT (outsourced serviced provider) is responsible for the system used to issue fines for speed traffic offenders along the N3 toll road within the municipal boundary. TRAFMAN is a system used by the municipality to issue fines for other traffic offences. Both TMT and the municipality work closely with the magistrates court to ensure that accurate recording of the status of fines (including the statuses of summons, appeals,fine reducions etc). Monies collected by the Magistrate are transferred to the municiaplity's bank account.

Notes to the Annual Financial Statements

	2015 R	2014 R

12. VAT receivable

VAT	5,565,441	3,043,784

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,210	2,210
Bank balances	8,101,021	8,673,609
	8,103,231	**8,675,819**

The Municipality has the following bank accounts:

Current accounts		
Absa Bank Limited - Account No. 4063796636: Bank statement balance at year end (Primary account)	6,880,943	10,346,001
First National Bank Limited - Account No. 52530028614	-	24,647
Absa Bank Limited - Account No: 9264784869	636,675	852,509

Interest charged on the bank overdraft is at prime interest rate.

No security/encumbrances are provided to ABSA bank.

14. Revaluation reserve

Opening balance	127,470,628	127,470,628

The revaluation reserve has resulted from the revaluation of property, plant and equipment.

15. Housing operating account

Accumulated surplus/(deficit)	15,108,143	(235,834)
Loans extinguished by Government on 1 April 1998	-	15,343,977
	15,108,143	**15,108,143**

The housing operating account is represented by the following assets and liabilities

Assets	-	-
Liabilities	-	-

The application for the housing operating account to be extinguished has been sent to the MEC and The Head of the department , the municipality is awaiting the correspendance from the department of Human settlement

Notes to the Annual Financial Statements

	2015 R	2014 R

16. Annuity loans

Designated at fair value		
External Loan - DBSA Account number - 61003296	7,399,521	7,824,664
External Loan - DBSA Account number - 61000591	2,049,468	2,288,678
External Loan - DBSA Account number - 61000576	13,519,021	14,081,001
External Loan - ABSA Account number - 302200978	9,333,333	10,666,667
	32,301,343	**34,861,010**

The loans attract interest at rates between 5% to 12.62% per annum and are being redeemed in monthly and quarterly instalments.

The annuity loans were acquired for the contruction of infrastructure. Construction was completed in 2009 and the municipality is currently redeeming the amount borrowed.

Non-current liabilities		
At amortised cost	29,022,019	31,672,228
Current liabilities		
At amortised cost	3,279,327	3,188,782

17. Finance lease obligation

Minimum lease payments due		
- Within one year	1,049,410	1,171,924
- In second to fifth year inclusive	451,155	1,488,632
	1,500,565	2,660,556
Less: Future finance charges	(98,128)	(263,822)
Present value of minimum lease payments	**1,402,437**	**2,396,734**
Present value of minimum lease payments due		
- Within one year	971,767	1,005,222
- In second to fifth year inclusive	430,670	1,391,510
	1,402,437	**2,396,732**

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 4-5 years.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

In the prior year the finance lease liability was disclosed under other financial liabilities, it has been reclassified in the current year.

	2015 R	2014 R

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2015 R	2014 R
Unspent conditional grants and receipts		
Municipal systems improvement grant	-	381,391
Data cleansing grant	24,851	174,875
Expanded Public Works Programme grant	28,429	995,505
Provincial - Cedara College/ Khanya Village Road	1,256,245	1,911,821
Financial management grant	-	377,407
Mandela capture site phase 2	19,926,866	12,537,985
MAP Synergistic Partnership	354,489	358,189
Cleanest town award	755	168,755
Integrated National Electricity Programme Grant	6,616	425,105
Museum Grant	490,005	500,000
Massification	135,116	-
	22,223,372	**17,831,033**

Movement during the year

	2015 R	2014 R
Balance at the beginning of the year	17,831,033	12,814,230
Receipts during the year	108,364,504	41,597,000
Income recognition during the year	(102,976,662)	(38,974,550)
Correction of error / misallocation	-	2,859,352
unapproved roll over	(995,505)	(464,999)
	22,223,372	**17,831,033**

19. Provisions

Reconciliation of provisions - 2015

	Opening balance	Additions	Closing balance
Environmental rehabilitation	16,556,056	1,560,632	18,116,688
Provision for leave	6,139,909	485,884	6,625,793
	22,695,965	**2,046,516**	**24,742,481**

Reconciliation of provisions - 2014

	Opening balance	Additions	Closing balance
Environmental rehabilitation	14,069,966	2,486,090	16,556,056
Provisions for Leave	-	6,139,909	6,139,909
	14,069,966	**8,625,999**	**22,695,965**

The landfill site provision is raised for the rehabilitation of the refuse disposal site to its original state once the site has reached the end of its useful life.

Notes to the Annual Financial Statements

	2015 R	2014 R

20. Trade and other payables from exchange transactions

	2015 R	2014 R
Trade payables	973,412	11,929,705
Unclaimed deposits	1,702,965	1,702,638
Accruals	6,897,903	-
SARS interest and penalties	-	174,723
Deposits received	3,369,493	2,673,703
Retentions	2,216,049	1,777,077
Other Sundry Creditors: District Municipality	1,090,113	1,090,113
Sundry creditors	2,091,247	4,322,624
Museum trust account	2,969	-
DBSA accrued interest	598,615	629,118
	18,942,766	**24,299,701**

The fair value of trade and other payables approximate their carrying amount.

21. VAT payable

	2015 R	2014 R
VAT payable	-	705,397

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

22. Consumer deposits

	2015 R	2014 R
Electricity	2,198,071	2,276,796

23. Revenue

	2015 R	2014 R
Service charges	57,767,738	56,460,833
Rental of facilities and equipment	843,849	727,720
Licences and permits	2,655,121	2,045,018
Provision for bad debt adjust	4,764,421	-
Property rates	119,499,371	111,631,578
Property rates - Penalties imposed and collection charges	6,596,240	6,037,274
Government grants & subsidies	102,976,662	76,393,077
Fines	21,641,800	24,203,330
	316,745,202	**277,498,830**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2015 R	2014 R
Service charges	57,767,738	56,460,833
Rental of facilities and equipment	843,849	727,720
Licences and permits	2,655,121	2,045,018
Provion for bad debts adjust	4,764,421	-
	66,031,129	**59,233,571**

Notes to the Annual Financial Statements

	2015 R	2014 R

23. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	119,499,371	111,631,578
Property rates - Penalties imposed and collection charges	6,596,240	6,037,274
Transfer revenue		
Government grants and subsidies	102,976,662	76,393,077
Fines	21,641,800	24,203,330
	250,714,073	**218,265,259**

24. Property rates

Rates received

Residential	78,396,576	71,300,845
Commercial	23,079,519	21,223,395
Small holdings and farms	32,080,004	31,643,164
Education and state	17,372,302	16,897,630
Private open space	4,183,637	4,164,422
Less: Income forgone rebates	(35,612,667)	(33,597,878)
Income received	119,499,371	111,631,578
Property rates - Penalties imposed and collection charges	6,596,240	6,037,274
	126,095,611	**117,668,852**

Valuations

Residential	10,364,971,510	9,741,058,400
Commercial	3,104,237,000	2,903,441,000
Education and State	2,336,606,000	2,311,660,000
Municipal	228,342,400	322,898,400
Agriculture	4,267,622,056	4,328,905,056
Private open space	556,551,700	569,708,700
State	17,365,000	13,168,000
	20,875,695,666	**20,190,839,556**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.The new General Valuation is implemented in July 2015.

Rates are levied on an annual basis with the final date for payment being Friday, July 31, 2015 (Thursday, July 31, 2014). Interest at 1% per month except february which is 10% (2014: 1%), is levied on rates outstanding one months after due date.

A basic rate of randage is applied to the valuations of all types of properties, the amount is 1.45 cents in the Rand (2014: 1.37 cents).

Rebates

Agriculture - additional	82.5%	82.5%
Bona fide farmers	0%	0%
Residential (The first R100,000 is exempt in terms of the rates policy)	30%	30%
Pensioners (Qualifying on with income up to R9,000 on a sliding scale)	30%	30%
State	30%	30%

Notes to the Annual Financial Statements

	2015 R	2014 R
25. Service charges		
Sale of electricity	52,718,366	51,841,996
Refuse removal	5,049,372	4,618,837
	57,767,738	**56,460,833**

The estimated distribution loss of R 32 152 873 (2014: R 27 365 069) is noted.

The contractor has finalised the project to identify losses and the recommendation is to undertake a full audit of all electrical installations within the area of supply. There is currently no funding available to begin this process.

The Municipality is applying its Credit Control and Debt Collection Policy and By-Laws in an effort to reduce losses, however the losses are of a technical nature and the Municipality is busy investigating strategies to further reduce the losses.

Notes to the Annual Financial Statements

	2015 R	2014 R

26. Government grants and subsidies

	2015 R	2014 R
Operating grants		
Equitable share	40,228,505	37,208,000
Municipal systems improvement grant	1,315,392	966,430
Finance Management Grant	1,977,407	2,673,226
MAP synergestic partnership grant	3,700	10,200
Cleanest town award	168,000	147,845
Museum Grant	160,995	284,000
Grant - Library staffing costs	2,752,000	2,671,526
Expanded public works grant	971,571	2,983,628
Data cleansing grant	150,024	1,320,152
	47,727,594	48,265,007
Capital grants		
Municipal Infrustructure Grant	21,415,000	18,912,000
Corridor development	-	6,179,160
Integrated National Electricity Programme Grant	418,489	574,895
Mandela capture site- phase 2	32,312,118	2,462,015
Cedara College Kanya Village	655,576	-
Massification	447,885	-
	55,249,068	28,128,070
	102,976,662	**76,393,077**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

	2015	2014
	40,228,505	37,208,000

Municipal Systems Improvement Grant

	2015	2014
Balance unspent at beginning of year	381,391	457,821
Current year receipts	934,000	890,000
Conditions met - transferred to revenue	(1,315,391)	(966,430)
	-	**381,391**

Finance Management Grant

	2015	2014
Balance unspent at beginning of year	377,407	1,965,632
Current year receipts	1,600,000	1,550,000
Conditions met - transferred to revenue	(1,977,407)	(2,673,225)
Unapproved roll over	-	(465,000)
	-	**377,407**

Municipal Infrustructure Grant

	2015	2014
Balance unspent at beginning of year	-	(2,859,352)
Current receipts	21,415,000	18,912,000
Conditions met - transferred to revenue	(21,415,000)	(18,912,000)
Correction of error	-	2,859,352
	-	-

Notes to the Annual Financial Statements

	2015 R	2014 R

26. Government grants and subsidies (continued)

Mandela Capture Site - Phase 2

	2015 R	2014 R
Balance unspent at beginning of year	12,537,985	-
Current-year receipts	39,701,000	15,000,000
Conditions met - transferred to revenue	(32,312,118)	(2,462,015)
	19,926,867	**12,537,985**

Corridor Development

	2015 R	2014 R
Balance unspent at beginning of year	-	1,279,160
Conditions met - transferred to revenue	-	(1,279,160)
	-	-

National road: N3 corridor development.

MAP Synergistic Partnership

	2015 R	2014 R
Balance unspent at beginning of year	358,189	368,389
Current year receipts	-	-
Conditions met - transferred to revenue	(3,700)	(10,200)
	354,489	**358,189**

Cleanest Town Award

	2015 R	2014 R
Balance unspent at beginning of year	168,755	316,600
Current year receipts	-	-
Conditions met - transferred to revenue	(168,000)	(147,845)
	755	**168,755**

Notes to the Annual Financial Statements

	2015 R	2014 R

26. Government grants and subsidies (continued)

Provincial - Cedara College/Khanya Villiage Road

Balance unspent at beginning of year	1,911,821	1,911,821
Current year receipts	-	-
Conditions met - transferred to revenue	(655,576)	-
	1,256,245	**1,911,821**

Integrated National Electricity Programme Grant

Balance unspent at beginning of year	425,105	-
Current year receipts	-	1,000,000
Conditions met - transferred to revenue	(418,489)	(574,895)
	6,616	**425,105**

Museum Howick

Balance unspent at beginning of year	500,000	-
Current year receipts	151,000	784,000
Conditions met - transferred to revenue	(160,995)	(284,000)
	490,005	**500,000**

Data Cleansing

Balance unspent at beginning of year	174,875	1,495,026
Conditions met - transferred to revenue	(150,024)	(1,320,151)
	24,851	**174,875**

Expanded Public Works Program

Balance unspent at beginning of year	995,505	2,979,133
Current year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(971,571)	(2,983,628)
Unapproved roll over	(995,505)	-
	28,429	**995,505**

N3 Corridor

Balance unspent at beginning of year	-	4,900,000
Conditions met - transferred to revenue	-	(4,900,000)
	-	-

	2015 R	2014 R

26. Government grants and subsidies (continued)

Libraries

Current year receipts	2,752,000	2,671,526
Conditions met - transferred to revenue	(2,752,000)	(2,671,526)
	-	-

Massification

Current year receipts	583,000	-
Conditions met - transferred to revenue	(447,885)	-
	135,115	-

27. Other income

Shared services model	571,864	322,981
Building plan fees and drainage fees	2,037,085	1,987,743
Reconnection fee	587,811	376,977
Valuation fee	196,658	54,580
Hall hire	219,577	204,721
Burial fees	32,727	37,774
Advertising	198,679	109,810
Connection income	174,556	479,999
LGSETA receipts	89,178	65,946
Sponsorship received	-	30,702
Insurance claim received	148,059	-
Sundry income	307,874	487,002
Subdivision income	97,347	144,708
Rates certificate income	239,429	205,145
	4,900,844	**4,508,088**

Notes to the Annual Financial Statements

	2015 R	2014 R
28. General expenses		
Advertising	497,046	329,652
Auditor's remuneration	1,130,041	1,282,311
Bank charges	683,716	691,511
Material and small tools	95,396	75,444
Commission paid	2,556,672	3,560,397
Computer expenses	405,890	154,966
Consulting and professional fees	7,783,665	2,598,799
Consumables	39,919	175
Discount allowed- traffic fines	-	18,175
Entertainment	126,842	64,527
Gifts	3,237,768	2,451,611
Insurance	460,484	393,160
Community development and training	603,564	73,746
IT expenses	343,639	-
Lease rentals on operating lease	2,994,072	1,463,854
Magazines, books and periodicals	41,439	16,484
Motor vehicle expenses	436,816	321,027
Medical expenses	9,027	9,985
Postage and courier	1,125,574	1,065,989
Printing and stationery	543,773	256,421
Security (Guarding of municipal property)	4,308,082	3,012,214
Subscriptions and membership fees	1,669,461	290,311
Telephone and fax	1,376,590	1,230,098
Training	1,024,346	48,664
Hygiene services	187,250	87,903
Electricity	4,512,655	4,224,281
Sewerage and waste disposal	38,428	21,534
Water	442,767	802,339
Refuse	24,153	29,890
Uniforms	267,258	491,269
Contribution to landfill site provision	1,560,632	2,486,090
Medical aid retired staff	705,200	632,547
Transfer of RDP houses to beneficiaries	-	27,489,000
SARS penalties	-	142,631
Electricity connections	3,828,294	3,717,879
Contribution to fire fighting services	263,186	235,995
Veterinary department	783,901	800,021
IDP expenditure	684	56,636
Other expenses	2,082,774	1,665,133
	46,191,004	**62,292,669**

Notes to the Annual Financial Statements

	2015 R	2014 R

29. Grant operating expenditure

Cleanest town award	168,000	147,845
MAP Grant	3,700	-
Museum	160,995	-
Finance management grant	1,977,407	2,474,739
LED strategy Corridor development -Shared services planning and development	-	38,400
Municipal systems improvement	1,091,825	936,171
Libary staffing costs	2,750,500	2,955,526
Data cleansing	150,024	1,320,152
Expanded public works programme	859,572	2,993,828
	7,162,023	**10,866,661**

The operating grant expenditure of R 7 162 023 is exclusive of an amount R 337 067 relates to tools which were procured by grant funding, the capitalisation was done due to life span which are Libriary, Expanded Public Works Programme and Municipal Systems improvement Grants

30. Employee related costs

Basic	49,341,091	42,374,087
Bonus	3,695,393	3,306,365
Medical aid - company contributions	3,742,069	3,219,135
UIF	451,203	422,586
WCA	597,201	673,083
SDL	728,100	692,570
Leave pay provision charge	2,375,551	3,101,508
Post-employment benefits - Medical aid and long service	2,421,750	(3,398,306)
Pension Contribution	9,913,599	8,946,431
Overtime payments	5,562,675	3,917,525
Car allowance	2,963,770	1,475,170
Housing benefits and allowances	247,805	225,908
Cellphone allowance	314,158	202,000
Standby allowance	113,340	108,119
Subsistance and Travelling	929,627	708,344
Uniform allowance	-	4,500
	83,397,332	**65,979,025**

Remuneration of Municipal Manager

Annual remuneration	-	782,245
Travel allowance	-	126,243
Annual bonuses	-	64,388
Cellphone allowance	-	18,000
	-	**990,876**

	2015 R	2014 R

30. Employee related costs (continued)

Remuneration of Chief Financial Officer

	2015 R	2014 R
Annual remuneration	423,072	343,915
Travel allowance	90,000	65,476
Acting allowance	196,206	-
Cellphone allowance	15,000	-
Lump sum (Leave and bonus)	-	27,887
Contract Travel	-	6,524
Re-imbursive Travel	15,273	-
	739,550	**443,802**

The Chief Financial Officer officially appointed in January 2015.

Remuneration of General Manager Technical Services

	2015 R	2014 R
Annual remuneration	774,733	731,774
Travel allowance	180,000	176,738
Annual bonuses	-	21,332
Cellphone Allowance	18,000	12,000
Re-imbursive traveling	85,091	9,040
	1,057,824	**950,884**

Remuneration of General Manager Internal Audit

	2015 R	2014 R
Annual remuneration	-	25,871
Car allowance	-	4,265
Contributions to UIF, Medical and Pension Funds	-	36,785
	-	**66,921**

Remuneration of General Manager Community Services

	2015 R	2014 R
Annual remuneration	451,911	-
Travel allowance	105,017	-
Cellphone allowance	10,500	-
	567,428	-

GM community services appointed in October 2014.

Remuneration of General Manager Planning and Development

	2015 R	2014 R
Annual remuneration	780,705	736,044
Travel allowance	174,029	168,500
Annual bonuses	-	15,917
Cellphone allawance	18,000	12,000
Acting allowance	-	93,885
	972,733	**1,026,346**

Notes to the Annual Financial Statements

	2015 R	2014 R

30. Employee related costs (continued)

Remuneration of General Manager Corporate Services

Annual remuneration	774,705	731,044
Travel allowance	180,029	176,764
Acting Allowance	34,720	26,528
Re-imbursive traveling	48,686	9,040
Cellphone allowance	18,000	12,000
	1,056,140	**955,376**

CFO and GM community services received a Samsung tablets in the current financial year .This benenfit is not included in the remuneration noted above.

31. Remuneration of councillors

Mayor's allowance	739,361	698,692
Deputy Mayor allowance	333,147	314,860
Executive Committee allowance	312,995	296,219
Speaker	332,754	314,860
Councillors allowance	4,401,136	4,120,027
	6,119,393	**5,744,658**

In-kind benefits:

The Mayor is employed on a full-time basis, and is provided with an office and secretarial support at the cost of the Council.

The Mayor has the use of Council owned vehicles for official duties.

The Mayor has two full-time bodyguards.

Councillor benefits:
All Councillors received a Samsung tablet in the current financial year. This benenfit is not included in the remuneration noted above.

32. Bad debts

Debt impairment- traffic fines	10,876,667	11,734,796
Debt impairment- consumer debtors	15,920,553	2,162,193
Debts written off- consumer debtors	(4,764,421)	7,556,014
	22,032,799	**21,453,003**

33. Interest revenue

Interest revenue		
Other financial assets	2,740,781	1,784,467
Interest charged on trade and other receivables	1,655,273	1,674,795
Interest accrude investment income	-	64,652
	4,396,054	**3,523,914**

Notes to the Annual Financial Statements

	2015 R	2014 R

34. Depreciation and amortisation

Investment property	199,632	261,818
Intangible assets	110,412	104,296
Property, plant and equipment (Refer note 3)	41,514,501	37,238,029
	41,824,545	**37,604,143**

35. Finance costs

Non-current borrowings	4,061,825	3,680,196
Finance leases	232,169	206,517
Interest on overdue accounts	8,791	410,655
	4,302,785	**4,297,368**

36. Auditors' remuneration

Fees	1,130,041	1,282,311

37. Bulk purchases

Electricity purchases	72,285,938	65,892,623

38. Cash generated from operations

Surplus	26,975,841	2,435,859
Adjustments for:		
Depreciation and amortisation	41,824,544	37,598,414
Deemed asset cost	-	(139,169)
Impairment deficit	-	8,532
Increase in contribution to bad debt provision	22,032,800	21,453,003
Movements in operating lease assets and accruals	(7,991)	49,047
Movements in retirement benefit assets and liabilities	2,413,000	(3,398,306)
Movements in provisions	2,046,516	1,097,036
Movement in tax receivable and payable	(705,397)	-
Housing fund	-	(573,095)
Prior period adjustment	-	(3,206,782)
Changes in working capital:		
Inventories	-	56,832,000
Other receivables	(277,650)	(1,194,512)
Consumer debtors	(15,697,135)	(6,546,159)
Other receivables from non-exchange transactions	(15,324,748)	(15,555,973)
Trade and other payables from exchange transactions	(5,356,935)	4,055,137
VAT payable	-	(1,710,106)
VAT receivable	2,521,657	(3,043,784)
Unspent conditional grants and receipts	4,392,339	5,016,803
	64,836,841	**93,177,945**

Notes to the Annual Financial Statements

	2015 R	2014 R

39. Commitments

Authorised capital expenditure

Approved and contracted for		
• Main Road 390 / District road 1129 Intersection	-	1,007,057
• Mpophomeni Sportfields	784,246	-
• Sphumelele Road	1,409,450	-
• Mandela Capture Site	17,924,774	-
• Mpophomeni Roads and stormwater phase 10	-	5,489,498
• Khayelisha Road	2,263,992	10,000,000
• Cedara/ Khaya village	778,247	2,500,000
•	-	999,670
	23,160,709	**19,996,225**

Approved but not yet contracted for		
• Mpophomeni Sportfields	1,500,000	-
• Lidgeton West Sportfields	2,000,000	-
• Khayelisha Roads	4,000,000	1,000,000
• Emandleni	1,000,000	-
• Lions River	1,000,000	-
• Mpophomeni Road Rehabilitation	9,749,000	-
• Sphumelele	1,000,000	1,425,694
• Other	7,000,000	-
	27,249,000	**2,425,694**

This committed expenditure will be financed as follows:

National and Provincial government and district municipality	27,429,000	21,415,000

Operating expenditure

The municipality has entered into contractors with suppliers for the provision of debt collection services, printing of statements, maintenance of the valuation roll, maintenance of the credit control system, cleaning services and security services. The total amount of these commitments are as follows.

Approved and contracted for		
Operating expenditure	12,454,364	6,320,499

	2015 R	2014 R

39. Commitments (continued)

Operating leases - as lessee (expense)

Minimum lease payments due		
- Within one year	113,273	301,667
- In second to fifth year inclusive	110,676	168,389
	223,949	**470,056**

Operating leases consist of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office property (Pink House) and equipment. Leases are negotiated for 3 years for the rental of the printers, and the lease periods for the Pink House is 3 years. No contingent rent is payable.

The municipality also leases land used for conservation purposes, the lease term for this land is 99 years. No escalation rate is applicable for the lease term.

Lease rentals for the taxi rank and printers escalate by 10% over the lease periods. Lease rentals for the White house are escalated at 8%.

Notes to the Annual Financial Statements

	2015 R	2014 R

40. Contingencies

Mrs Lorain Burns	-	500,000
Skumbuzo Ngubane	-	61,070
Cow Catchers	146,000	300,000
SJ Dlamini	250,000	250,000
Thatheni's Women's contraction	-	10,000
Mafuladi Dlamini and others	-	60,000
Cherly Marian Mostert	20,000	-
Flat 7 Allemans Coart	15,000	-
Nkanyiso Sphesihle	50,000	-
Jaques Due Busson	22,000	-
Telkom SA Limited	43,000	-
N Amod	40,000	-
Brightness Thembelihle Hlubi N.O and ano	3,190,000	-
	3,776,000	**1,181,070**

Cowcatchers vs uMngeni Municipality claim of Attorneys fees resulting in the withdrawal of an application to the High Court by the Municipality. There could be future costs associated with the claim.

SAMWU obo SJ Dlamini vs uMngeni municipality claim for payment of an acting allowance.Transnet Freight VS Occupier of Nottingham Road setttlers and uMngeni Municipality claim for an eviction. Municipal to provide alternative accommodation to informal dwellers in the property of transnet, matter postponed Sine die.

Telkom SA Limited vs uMngenu municipalityclaim of R43 000 for plaintiff alleges municipal tractor damaged telephone lines belonging to Telkom SA.

Brightness Thembelihle N>O and ano vs uMngeni Municipality delictual claimof R5290000 arising from motor vehicle accident on the N3 freeway. Applicati claims the municipality for motor vehicles collision with a live stick on the Freeway which resulted to death.

uMngeni Municipality vs Flat 7 Allemans Court (Howick) eviction matter

uMngeni municip[ality vsCherly Marian Mostert claim for demages Potholes - case no 1072/2014.

uMngeni Municipality vs Jaques Due Busson claim for damages, Potholes case 1279/2014

uMngeni Municipality vs Nkanyiso Sphesihle Dladla labour despute

uMngeni Municipality vs N Amod claim for demage Potholes

Transnet Freight Rail vs Occupies of Nottingham Road settlers and uMngeni Municipality claim for an eviction, municipal to provide alternative accommodation to informal dwelliers in the property of Transnet. Matter postponed sine die

41. Contingent Assets

An employee in the Traffic Department had misappropriated funds to the value of R9,540. She was found guilty of the misconduct and after the disciplinary hearing a settlement was reached and the employee was to pay R265 per month for the next three years.

	2015 R	2014 R

42. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial instruments - 2015	Within 1 year	Between 1 - 5 years	More than 5 years	Total
Trade and other payables from exchange transactions	18,942,766	-	-	18,942,766
Finance leases	971,769	430,666	-	1,402,435
Annuity loans	3,279,327	11,687,943	17,334,075	32,301,345
	23,193,862	**12,118,609**	**17,334,075**	**52,646,546**

Financial instruments - 2014	Within 1 year	Between 1 - 5 years	More than 5 years	Total
Trade and other payables from exchange transactions	24,299,701	-	-	24,299,701
Finance leases	1,005,222	1,391,510	-	2,396,732
Annuity loans	3,188,782	10,998,468	20,673,759	34,861,009
	28,493,705	**12,389,978**	**20,673,759**	**61,557,442**

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. The municipality limits its exposure to interest rate fluctuations by only dealing with well-established institutions and opting where possible for fixed interest rates rather than variable rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluate credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

These financial asset balances represent the maximum exposure to credit risk.

Financial instrument	2015	2014
Cash and Cash equivalents	8,103,231	8,675,819
Investments	38,548,450	29,797,992
Consumer debtors	31,258,293	32,515,464
	77,909,974	**70,989,275**

	2015	2014
	R	R

43. Going concern

At June 30, 2015, the municipality had an accumulated Surplus of R 644,473,606 and that the municipality's total assets exceed its liabilities by R 767,052,693.

It is also noted that municipality's unspent conditional grants liabilities are fully cash backed. The unspent grants liability amounts to R 22 223 371 and the municipality has investment to the value R 38 548 450 and cash and cash equivalents to the amount R 8,103,231.
The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these are:

- Bi weekly meetings in the form of the Interim Finance Committee, to plan and approve only essential expenditure for the forthcoming weeks and to ensure that the unspent conditional grants are moving to a position of being cash backed.

- The Credit control and Valuation sub-committees meet monthly to tackle revenue enhancement issues by addressing the issue of outstanding debtors and valuation queries respectively. These committees have already achieved success by requesting all stakeholders involved in revenue enhancement to account monthly and provide direction on how to maximise

  revenue and reduce the outstanding debtors. A panel of attorneys have been appointed to assist with debt collection of debtors exceeding 90 days.

- Council and the Interim Finance committee is committed to turning the situation around and has frozen all vacant posts in order to curb expenditure, except critical posts or those funded by conditional grants.

- On the technical side, excess electricity losses have been identified and corrective action is being taken to remedy the situation by the Development of the Consumer Loss Analysis programme(CLA). This programme was specifically written to identify the electricity losses due to technical issues, theft of electricity, illegal connections, metered installations and correct the electricity billing cycle. The municipality has budgeted for the installation of smart meters in order to reduce electricity theft.

44. Reconstruction of development Programme (RDP)

There are low cost houses (RDP) registed under uMngeni Municipality in the Deeds office awaiting legal transfer to beneficiers these properties were funded by Department of Human Settlement and uMngeni Municipality was a implementing agent during the construction of them and were disclosed as inventory on the uMngeni Local Municipality Annual financial Statements . .

During the audit of 2014 /2015 financial the municipality was advised by Auditor General South africa to remove them from the inventory

	2015 R	2014 R

45. Unauthorised expenditure

	2015 R	2014 R
Other expenditure - land fill site	(1,560,632)	(2,486,090)
Depreciation and amortisation	(41,824,544)	(37,604,143)
Construction of Mpophomeni Nodal Development Road P390	(4,271,089)	-
Mpophomeni Roads and Rehab: upgrading Roads in Mpophomeni	(983,935)	-
Debt impairment	(20,049,984)	(20,925,003)
	(68,690,184)	**(61,015,236)**

The expenditure above has been identified as unauthorised expenditure. The unauthorised expenditure for Construction of Mpophomeni Nodal Development Road P390 & Mpophomeni Roads Rehabilitation: Upgrading Roads in Mpophomeni were incurred due to payments approved post the issue of completion certificates for these projects. Additional text

46. Fruitless and wasteful expenditure

	2015 R	2014 R
Balance brought forward	825,024	650,300
Interest on late payment of EMP 201	-	601
Interest and penalty on late payment of VAT	1,319,266	541,480
Interest on late payment of Eskom	6,965	3,176
Interest on late payment of other suppliers	1,826	8,030
Amounts condoned by Council	(1,328,057)	(378,563)
	825,024	**825,024**

The fruitless and wasteful expenditure incurred during the year 2014/2015 amounting to R 1, 328, 057 was condoned by Council.

47. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Suppliers in service of the state
The municipality procured credit control software from Tevtal Technology cc . The member of this entity has disclosed that his spouse is in the service of the state.

48. Irregular expenditure

	2015 R	2014 R
Balance brought forward	17,979,216	3,925,734
Sabinet online and on fire	152,339	14,053,482
Supplier declared- thingz zinto	32,000	-
EPS contract	4,304,187	2,602,310
Khoskhu trading	2,450	-
ELCO Asphalters	3,770,965	-
Rosedale Forecasting	11,250	-
City Lodge and Adams Booksellers	8,524	-
Air Brakes	98,097	-
	26,359,028	**20,581,526**

	2015 R	2014 R

48. Irregular expenditure (continued)

Irregular Expenditure- current year
The Municipality detected payments made to Air Brake Services CC who's tax affairs were not in order amounting to R 106, 621.00. The transaction was a deviation in nature and was approved by the Accounting Officer and reported to Council for noting. Payments were made to Air Brakes Services who's tax affairs were not in order resulting in the transaction being an Irregular Expenditure. There were payments made to Thingz Zinto amounting to R 32, 000.00 who declared to be in the service of the state. The contract of EPS was extended through a MANCO and Council resolution and payments were made amounting to R 4, 304, 187.00 and the initial contract could was not produced.

The end-user department sourced a quotation from Rosedale Precast Fencing and only one quotation was sourced amounting to R 11, 250.00. Three quotations were not sourced resulting in the transaction being an Irregular Expenditure.

Bid 54/2013 /2014 wasn't advertised for the minimum days as requeired by SCM regulation section 22 an amount of R 3 770 965 the motivational letter signed by the acting municipal was submitted to auditors however the reasons were not adequate to deviate from nomal processes as a matter of urgency or emergency even the physical verication was done by the auditor was unsuccefull to substantiate the regulation requirements.

The municipality has traded with the following suppliers of which were not on the database on the transaction date City Lodge and Adams booksellers with an amount of R 2 761 and R 5 762 respectively.

The municipality has transacted with the supplier with out MBD 8 being signed with an amount R 152 339.36. The muncipality traded with the supplier who is listed on the prohibited supplier under Treasury with an amount R 2 450.

(The irreguair reported under 2013/2014 financial year has been reported to Council and the Internal Audit is conducting an investigation).

Notes to the Annual Financial Statements

	2015 R	2014 R

49. SCM deviations

In terms of regulation 36 of the Municipal Supply Chain Management Regulations, deviations from, and ratification of minor breaches of the procurement process have to be approved by the accounting officer and noted by the Council.

The following deviations were approved by the accounting officer and sent to Council for noting an amount of R 2 225 435 and R 3 859 118 in 2015 and 2014 respectively

Section 36 deviations

	2015 R	2014 R
	2,225,435	3,859,118
	(2,225,435)	(3,859,118)
	-	-

50. In-kind donations and assistance

During the current financial year, KwaZulu Natal Provincial Treasury appointed resources to assist with the preparation of 2014/2015 Annual Financial Statements.

51. Related parties

There are no related party transactions for the current and prior year.

	2015 R	2014 R

52. Actual operating expenditure versus budgeted operating expenditure

Material differences between budget and actual amounts
Explanations for variances greater than 10% and more than R 1 million noted in the Statement of Comparison of Budget and Actual are as follows:

Commentary on Statement of Financial Performance

Revenue
53.1 Service charges- electricity
The variance is attributed to the electricity losses due to theft, through illegal connections. The municipality has determined that the estimated loss is R 32 million, refer to note 25. The municipality is currently trying to address the losses via the stop electricity theft project.

53.2 Other income
The municipality accounts for income forgone from electricity and refuse, as part of the other income. This is income is not actually received from the consumers, but is included for budgets purposes. This amount has resulted in a variance between the actual and budget amount

53.3 Interest received- investments
Mandela capture site grant was received in December 2013, additional amount was received in September and march respectively. These funds were invested in a fixed deposit account. This additional investment interest was not taken into account during the budgeting process. *

53.5 Fines
The Municipality has recognised fines in terms of revised IGRAP 1. The budget was prepared based on the expected cash receipts form traffic fines. This has resulted in a difference between the actual and budgeted amount.

53.4 Property rates- penalties imposed
Penalties are charged on outstanding debt in line with municipal property rates and credit control policy. The municipality currently had higher than anticipated debtors on which penalties have been imposed.

Expenditure

53.6 Personnel
The key post of the municipal manger remained in the 2014/15 financial year.In addition to this, and actuarial gain of R 5 million for medical aid and long service valuations performed by the actuaries has been recognised as part of the personnel cost, decreasing the actual cost at the reporting year end.

53.7 Depreciation
Infrastructure depreciation was under budgeted for, which has resulted in a variance between budgeted and actual amounts.

53.8 Debt Impairment
In the current year the municipality has* accounted for traffic fines in terms of revised IGRAP 1. Debt impairment includes calculation of traffic fines considered impaired by the Municipality. This impairment was not budgeted for in the financial year. In addition to this, Council approved 9.1 million debt write off consumer accounts which has resulted in a variance between actual and budget.

53.9 General expenses
Actual general expenditure reported includes landfill site contribution which was not budgeted for in the 2013/14 budget. In addition, the Municipality incurred expenditure in excess of the budget for valuation roll services, which also contributes towards the variance between actual and budget. The municipal manager was employed by the municipality as a consultant from Africa Mayibuye Leadership an

53.10 Repairs and maintenance
In the previous financial year, the municipality appointed a service provider to assist with road maintenance (fixing pot holes). The municipality budgeted a similar amount for pot hole road maintenance which was not fully utilised in the current financial year. This has caused the variance between the budgeted and actual amount reported.

	2015 R	2014 R

52. Actual operating expenditure versus budgeted operating expenditure (continued)

53.11 Grants and subsidies paid
The municipality has noted unspent grant of an operating nature. Reasons for understanding are as follows:

a) Financial management grant - A service provider has been appointed to assist with the completion of the fixed asset register, this exercise was not complete at the end of the financial year, this has contributed to variance in actual and budgeted amount.

b) Data cleansing grant - The final phase of the data cleansing project had not started at the end of the financial year, this has contributed to variance in actual and budgeted amount.

c) Municipal systems improvement grant - A service provider has been appointed to assist with the development and redesigning of the municipal website, this exercise was not complete at the end of the financial year, this has contributed to variance between the actual and budgeted amount.

53.12 Bulk purchases
The municipality embarked on "a stop electricity theft project" in July 2013. The project focused on solving root causes of electricity theft e.g. illegal connections, tempering of prepaid and conventional metre systems.The corrective interventions have had a direct impact on the purchasing levels of bulk electricity. The municipality also instructed the appointed service provider for electricity services to do hard disconnection for households with long over due accounts.This is also had an impact on the purchasing levels of bulk electricity.

53. Assets subject to restrictions

Assets that have been recognised, but which are subject to restrictions, the amount of restriction are as follows:

	2015 R	2014 R
54. Additional Disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Council subscriptions	-	789,360
Audit fees		
Opening balance	559,327	567,271
Current year Audit fee	570,714	1,397,141
Amount paid - current year	(1,130,041)	(1,405,085)
	-	**559,327**
VAT		
VAT received (paid) for the year	-	4,530,647
PAYE and UIF		
Current year payroll deductions	10,316,083	9,571,888
Amount paid - current year	(10,316,083)	(9,571,888)
	-	-
Pension and Medical Aid Deductions		
Current year payroll deductions and Council Contributions	21,608,970	17,907,002
Amount paid - current year	(21,608,970)	(17,907,002)
	-	-

There were no amounts due from Councillors and staff at as the end of the year.

Notes to the Annual Financial Statements

	2015 R	2014 R

55. Prior period adjustment

Adjustments were made to correct the following errors in the prior years:

	2015 R	2014 R
Adjustment to 2012/13 financial year		
Asets transferred to the Department of Health in term of the agreement with respect to assets under the control of the clinic were not accounted for 2012/2013	-	-
Decrease in property plant and equipment		
Increase in Accumulated surplus	-	(70,541)
Work in progress had been overstated due to incorrect recognition of expenditure as work in progress	-	70,541
Decrease in property plant and equipment		
Decrease in accumulated surplus	-	(5,149,734)
	-	5,149,734
	-	-

	2015 R	2014 R
Capital work in progress had been incorrectly expensed in prior years		
Increase in property plant and equipment		
Increase in accumulated surplus	-	11,406,367
Adjustment 2013/2014 financial year:	-	(11,406,367)
Work in progress has been incorrectly expensed in the 2013 /2014 financial year	-	-
	-	-
Increase in property plant and equipment		
Increase in accumulated surplus	-	10,377,368
Reversal of depreciation incorrectly recognised in 2013/2014 financial year relating to transferr of clinics to the Department of Health	-	(10,377,368)
	-	-
Increase in surplus for the year		
Increase in property plant and equipment	-	5,754
Recognition of depreciation on completed projects which had been incorrectly recognised as work in the progress:	-	(5,754)
	-	-
Decrease in surplus for the year		
Decrease in property plant and equipment	-	(440,187)
Recognition of property plant and equipment	-	440,187
Increase accumulated surplus	-	-
Decrease in property plant and equipment	-	2,384,882
Recognition of Heritage assets	-	(2,384,882)
Decrease in Heritage assets	-	-
Increase in accumulated surplus	-	60,000
Derecognition of Inventory	-	(60,000)
Decrease in Inventory	-	-
Decrease in Accumulated Surplus	-	(56,832,000)
Increase in Inventory	-	56,832,000
Increase in accumulated surplus	-	27,489,000
Recognition of depreciation on landfill site	-	(27,489,000)
Decrease accumulated surplus	-	-
Increase accumulated depreciation on landfill site	-	8,082,533
	-	(8,082,533)
	-	-